

Crossing the Strait to Energy Security

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With Georgia forced to survive one of the most frigid winters in years with an intermittent supply of energy, the impending need to diversify energy sources has reached a new level of urgency. After the pipeline explosion in the Northern Caucasus left Georgia with an increased sense of vulnerability, the frustration of being held hostage to the whims of a single energy partner has renewed the government's efforts to achieve energy independence. Yet the quest for new energy partners is not one without obstacles. The issue of finding partners that are both reliable and practical in a region with numerous myopic governments will undoubtedly prove to be a difficult task. However, one thing that is clear is that if the Georgian government remains complacent with regards to ensuring its own energy security, it will run the risk of becoming just another chapter of the Kremlin's efforts to monopolize the energy market in its near abroad. For the sake of its national security and its sovereignty, it is therefore incumbent upon the Georgian government to effectively diversify energy supplies in the very near future.

Given its geo-strategic location amidst several oil-rich countries, there are several options for Georgia's energy diversification. Having already turned to Iran during its energy crisis last month, Georgia's oil rich southern neighbor has vast gas and oil reserves that are just waiting to be purchased. With the pipeline infrastructure already linking the two markets, the opportunity for Georgia to enter into short or long term agreements with Iran is certainly appealing.

Georgia's close proximity to the Caspian Sea also affords it the possibility to import energy from the countries of Central Asia. The endless potential for high levels of gas to be exported from Turkmenistan should not be overlooked by the Georgian government. With experts predicting that gas exports could exceed 100 billion cubic meters per year before the end of the decade, there can be no doubt that Turkmenistan is destined to become a major player in the world energy market once the transportation infrastructure is built.

With one of the world's largest oil fields recently discovered on its territory, Kazakhstan remains an additional option for diversification. It has been predicted that by 2020 Kazakhstan could be exporting fuel to world markets that will equal or exceed that of Saudi Arabia, today's most abundant supplier of oil¹. As was the case with Turkmenistan, the issue for Georgia is not whether the supply will run out, but rather the means by which the oil will be transported to the South Caucasus region.

Finally, the prospect of strengthening ties with Azerbaijan presents the Georgian government with an oil-rich partner that also just happens to be one of its neighbors. The recent construction of the BTC pipeline coupled with the imminent completion of the Shah-Deniz pipeline has already provided a basis for a strong energy partnership with the Azeri government. The bonds of this new relationship were put to the test with the

¹ Kleveman, Lutz, The New Great Game: Blood and Oil in Central Asia, Grove Press, New York, 2003,

explosion of the North Caucasus pipeline last month as a majority of Georgia's emergency supply was channeled via Azerbaijani pipelines. Having proved that the Azerbaijani's are reliable energy partners, the issue now for Georgia is finding a way to expand and deepen this partnership.

Thus Georgia is presented with several options to consider as it hastens its search for new sources of energy. Despite the fact that the region is vast in oil and gas supplies, the politics surrounding the opportunity, or lack thereof, to enter into short or long term agreements are by no means simple. Let us therefore take into consideration the practicality of whether the potential partners listed above could present real concrete options for the Georgian government.

Though Iran temporarily came to Georgia's aid in order to help ease the most recent energy crisis, Tehran wasted no time in exploiting Georgia's vulnerable and desperate position. Forced to pay nearly double the price for Iranian gas than they were paying for Russian gas, the Saakashvili government should be wary of entering into any kind of an agreement with a partner that is willing to employ such merciless tactics. Additionally, international sentiments towards Iran are nowhere near friendly at the moment given the issue of nuclear fuel development. Should it decide to invest in Iranian energy, Georgia risks losing the respect of the international community amidst its drive for membership into Euro-Atlantic organizations, as well as financial assistance from the United States under the Iran-Libya Sanctions Act (ILSA). Although there is a certain degree of understanding from the international community when it comes to buying Iranian gas for the purpose of easing a humanitarian crisis, there is little sympathy when it comes to reshaping ones political and financial alliances. An energy partnership with Iran is therefore decidedly impractical and does not present a viable option for the Georgian government.

Whereas the greatest issue with Iran is politics, the main issue hovering over increased cooperation with Kazakhstan is transportation. As the situation stands right now, any pipeline that is transporting gas or oil from Kazakhstan must pass through Russian territory. Having already experienced the ruthlessness with which Russian energy companies operate, it brings little comfort to the minds of Georgian policy makers to know that Gazprom and Transneft, the Kremlin dominated gas and oil companies, respectively, are in possession of nearly all pipelines crossing Russian territory. The recent illegal decision from the Kremlin to prohibit the flow of Kazakh oil to Lithuania via Russian pipes is just one of many searing examples exposing the problems with transporting energy from this region². A potential breath of fresh air could come, however, if a seabed pipeline is constructed to transport hydrocarbons from the Kashagan oilfield in Kazakhstan to link up with Baku. Yet any agreement in the near future is unlikely to evade pressure from Kazakhstan's mighty northern neighbor to direct the pipeline instead through Russian territory.

² Smith, Keith, "Security Implications of Russian Energy Policies", *Center for European Policy Studies*, January 2006, No. 90

With regards to Turkmenistan, the issue is much the same. Another country under heavy influence from Moscow, Turkmenistan has already received warnings that all of its gas supplies will come to a complete halt if it decides to construct a seabed pipeline that would transport oil to Western markets rather than Russian or Iranian ones. While a partnership with the Turkmen government would seriously open up Georgia's energy diversification, the government must first overcome the Russian monopoly on transportation routes to all markets west of Central Asia.

At last there lies Georgia's Azeri neighbor to the east. Having already come to agreements on two pipelines that will run through its territory, the Georgian-Azeri energy partnership holds great potential. While the BTC will only cover a fraction of Georgia's petroleum needs, the Shah-Deniz pipeline will provide Georgia with anywhere from 50 – 83 percent of its gas needs in transit fees, depending on the final numbers.³ Although importing such large quantities of gas from a single partner may be counterproductive to the idea of diversification, Azerbaijan's reliability as an energy supplier was reinforced during the most recent crisis in Georgia. As a direct neighbor, the Georgian government would be wise to continue strengthening its political and economic ties with Azerbaijan.

As Georgia aims to cross the bridge from energy dependence to independence, the issue of Russia as either a partner or a competitor remains the most deciding factor. While there is no doubt that both Russia and Georgia have varying interests with regards to energy policy in the region, there is no reason why these interests cannot coexist. Despite any degree of financial assistance or political leverage from its Western friends, the fact remains that Georgia cannot achieve energy independence without at least the tacit cooperation of the Russian government. It is therefore imperative to its own national security for Georgia to find ways to improve diplomatic relations with the Kremlin. In the meantime, Georgia should work to open relations with potentially new energy partners and develop plans for deepening relations with Azerbaijan. The necessity to establish these links cannot be overstated.

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³ Vladimir Socor, "Gazprom or Shah-Deniz: Georgia's choice of Strategic Partners", *The Jamestown Foundation*, 12 November 2004